

1 state the name of your organization. And then
2 please remember to speak slowly. We have a court
3 reporter here. The purpose is because we want to
4 catch everything that everybody says.

5 When I call -- I guess that's not very
6 really important. Our meeting is scheduled to last
7 until four, but I think we will be out of here
8 before that. If there's nothing else, I'll turn
9 the floor over to Chairman Nelson for her
10 comments.

11 CHAIRMAN NELSON: Thank you,
12 Steve. Thank you. Even though we have a small
13 audience today, it's going to be a quality list of
14 witnesses, I'm sure.

15 I just would like to tell you that the
16 purpose of this hearing is to gather your opinions
17 and your facts about what we know as universal
18 service, which in our state actually means that 97
19 percent of our residences are hooked up to the
20 telephone network. And that's considered a very
21 good percentage of residences to be hooked up to
22 the public switch telephone network.

23 The 1996 Telecommunications Act has set
24 in motion various forces in our marketplace. This
25 hearing is sort of an unusual hearing. The WUTC

1 has been long concerned about universal service,
2 but we are here to seek information as to how we
3 should best implement the new federal
4 Telecommunications Act.

5 And we are here both as the WUTC, and I
6 am here as a member of what is called the federal
7 state joint board on universal service, which is
8 composed of three federal communication
9 commissioners, four state commissioners, and one
10 consumer advocate. And we have a statutory
11 deadline to produce to the FCC a recommended
12 decision on how to implement the goals of the 1996
13 Act by November 7th of this year.

14 I'd just like to tell you,
15 traditionally we think of universal service as a
16 program which is intended to keep basic service
17 rates low and affordable. Typically this has been
18 done through a variety of mechanisms to support
19 especially rural carriers in keeping basic service
20 rates low and affordable. It's also over time
21 taken on programs to support low income; programs
22 to support the hard of hearing, it's called the
23 relay system in-depth; and programs to make sure
24 that enhanced 9-1-1 services are available not only
25 in the metropolitan, but in the rural counties.

1 Under the new Act, we are supposed to
2 take these old mechanisms and transform them into
3 something that is competitively neutral and
4 technology neutral and make them explicit. We were
5 also asked to figure out a way to make sure that
6 these information and communication technologies
7 are widely available to the public through schools,
8 libraries, and available to rural health care
9 providers.

10 We've had a hearing already in the
11 spring in Seattle, we had a hearing together with
12 the Rural Community Services Commission in Spokane
13 September 16th, and we had a hearing in Bellevue on
14 Monday this week. We've had excellent testimony so
15 far.

16 I must tell that you even though I'm a
17 voting member of this joint board, I can't predict
18 what the board is going to recommend to the FCC,
19 because the negotiations with the other seven
20 members of the board just begun. But the chairman
21 of the Federal Communications Commission and its
22 staff have indicated that the funds to be created
23 quick ranges widely from one billion to 20 billion
24 dollars. We're going to try to narrow that range,
25 so we know what the price tag of this fund will

1 actually be and how it will affect consumers'
2 bills. So I look forward to hearing from you.

3 Thank you.

4 MR. KING: Next we'll have a few
5 comments from Lee Palagyi of our staff, will give
6 us an overview of the federal Act.

7 MS. PALAGYI: Actually, when I did
8 this presentation on Monday in Bellevue, it became
9 apparent that really the focus of these meetings
10 are the schools and library piece of it. So that
11 is primarily what I'm going to address my comments
12 toward. Sharon did a good job of kind of laying
13 out what universal service is, the big level
14 concepts.

15 And in specific, I'd like to lay out
16 some of the issues that are before us with respect
17 to the schools and libraries and rural health care
18 providers and the discounts that we're supposed to
19 be establishing for those entities in order to
20 ensure that universal service is extended to those
21 entities. And then also kind of tee up some
22 questions which I think are included in the letter
23 that went out as part of the notification of this
24 hearing.

25 This letter is at the back table and it

1 goes through about eight questions. But the reason
2 I'd like to bring those up is to just start you
3 thinking maybe about some of the issues in a
4 different way in order to elicit some comments from
5 you that you might not have otherwise thought about
6 ahead of time.

7 Universal service is a concept that's
8 been around since the early 1900s, and this Act for
9 the first time put it into the law, the concept
10 that all Americans should have access to the public
11 switch network at just, reasonable, and affordable
12 rates. Specifically, the Act went on to identify
13 that there is a certain targeted group of users;
14 specifically schools, libraries, and rural health
15 care providers, which should have universal service
16 and perhaps a more expanded definition of what
17 universal service is beyond basic telephone service
18 made available to them in the public interest.

19 And there's language in the Act which
20 speaks to the need for reasonable comparability of
21 rates for rural and urban areas to ensure that
22 those citizens that live in the more outlying
23 areas, more remote areas of the country as well.
24 It also addresses the need for targeting the
25 under-served inner city areas which don't

1 necessarily -- all those areas don't necessarily
2 have the same quality of service as the suburban
3 areas of our country do.

4 In particular on the schools and
5 libraries' section, the Act directs the joint board
6 to make a recommendation on a level of discounts on
7 telecommunications services for the schools and
8 libraries. And the amount of that discount will be
9 reimbursed to the carrier providing those services
10 from a federal -- from universal service
11 mechanisms that could be either at the state level
12 or federal level.

13 In deciding what the level of the
14 discount is, there's various proposals that have
15 been put on the table. The Department of Education
16 and the vice president of the United States have
17 come out and supported the E rate, saying that
18 there should be a basic level of service available
19 to schools and libraries for free. And then
20 there's also all the way up to the other end saying
21 it should be a minimal discount and you should rely
22 on the market forces which are emphasized in the
23 Telecommunications Act of 1996 to encourage the
24 deployment of these technologies throughout the
25 area.

1 So this is kind of the range we're
2 working with here. One thing I'd like to
3 underscore is these discounts will be reimbursed to
4 the carrier, the amount of the discount we set.
5 And that money for that reimbursement will
6 ultimately have to come somewhere from consumers.
7 So there is a lot of concern about the size of the
8 fund that we're dealing with.

9 The Chairman made reference to the
10 estimates of the total universal service fund, not
11 just the fund for the schools and libraries. The
12 estimates range from 1.4 billion annually to about
13 20 billion annually, and that's a pretty large
14 amount of money that we're talking about. However,
15 clearly congress and the president intend that
16 these discounts be made available to the schools
17 and libraries, and so we are deliberating on what
18 the best way to bring about those discounts are.

19 The other thing that we have in our
20 mind is that the other major goal of the Act,
21 besides universal service, is the concept of
22 competition. And that all -- The way in which to
23 regulate telecommunications in the most effective
24 manner is through competitive market forces. And
25 there's an emphasis on encouraging all cable

1 companies, wireless providers, and other yet
2 unknown providers of telecommunications services to
3 come into the market, and that those competitive
4 forces should make the prices of the
5 telecommunication services come down to a level
6 that are affordable.

7 We would like to some way harness some
8 of those competitive forces in order to make the
9 schools and libraries have even more options
10 available to them. And one of the things that
11 we're interested in hearing about is what kind, if
12 any, of providers are coming to you in your areas
13 and offering you telecommunications alternatives;
14 what kind of partnerships have you formed with
15 other public entities or community entities in your
16 area; what kind of private support do you have
17 either from your telephone company, your local
18 telephone company, or from other business leaders
19 in the area who are interested in helping to ensure
20 that the telecommunications services are deployed
21 in your schools and libraries.

22 And as the Chairman indicated, we're on
23 a tight time schedule in the sense we have to have
24 a recommendation to the FCC by November 7th, but
25 still this input is very valid in our

1 deliberations. Lots of things are in flux. And we
2 really would welcome any thoughts you have on the
3 best way to instruct us to allow you, the consumers
4 of the services, to take advantage of them in the
5 most prudent way.

6 Thanks very much.

7 MR. KING: The first speaker that
8 signed up this afternoon is Nancy Zussy.

9 MS. ZUSSY: Can you hear me? Mrs.
10 Nelson and other members of the Commission, I'm
11 Nancy Zussy, the state librarian, today speaking on
12 behalf of libraries, including rural and high cost
13 suburban areas.

14 I looked at the questions that
15 accompanied the invitation to this hearing and
16 would like to address a couple of them very
17 briefly. As you may know, the state library did
18 file some initial comments with the FCC and have
19 been working at the national level and the state
20 level on this very multi-various issue in this very
21 tangled web we're talking about here.

22 You had asked how technology is being
23 used in the schools and libraries. And as with the
24 other questions, the answer off the top of my head
25 as a good attorney, although I'm not a good

1 attorney, I'm a good librarian, is, it depends. It
2 depends on whether you're in Seattle or whether
3 you're in Omak or Forks or where you are.

4 Libraries want to use technology and
5 indeed really have no choice but to embrace
6 technology, because of the way information is
7 expanding. I need not go into that. You're all
8 too familiar with that. But as far as is it going
9 to be used, will they have to continue to use
10 technology? Absolutely.

11 Question number four is always an
12 awkward one with librarians. In acquiring
13 telecommunication services, did more than one
14 telecommunications carrier offer to provide this
15 service? We have a track record in libraries now
16 called computerized circulation. Check in, check
17 out systems that run obviously on telecommunication
18 systems once one gets outside the central
19 building.

20 As far as carriers offering provider
21 service, I'm sorry to say that more often than not
22 often it's trying to find a carrier that will do
23 the service, or in the case of Lincoln County,
24 trying to coordinate the efforts of the eight or
25 nine in the county, that the different offers or

1 different negotiations are on such an uneven level
2 at times, they find it very difficult to deploy the
3 service in a small area like that.

4 So carriers in a rural area are rarely
5 chosen. They are either there or not there, or
6 they are so multiple, they all must be chosen.

7 Number seven is something I'd like to
8 speak to you briefly about, about schools and
9 library participation in technology pilot
10 programs. There has been for quite a number of
11 years a federal program for Library Services and
12 Construction Act, or LSCA, one portion of which
13 encourages resource sharing collaboration among
14 libraries.

15 And our state has made, I think, very
16 good use of that, encouraging not only the
17 cooperation to occur between and among libraries,
18 but wherever possible to make that multi-tight, so
19 that for instance in a small area, small rural
20 area, we would want to see a project that would
21 include not only the public library, but a college
22 library, a school library, even a special library
23 to amalgamate the assets that are available, the
24 resources available, and frankly to affect possibly
25 more providers.

1 This program is being restructured in
2 Congress and a different version of it has been
3 passed as of Tuesday, and we're hoping against hope
4 to get it out to the senate by the time at least of
5 the elections. This would put much more emphasis
6 on electronic access and this is good news in one
7 sense and perhaps not so much good news in the
8 other. . . .

9 Purchasing the equipment, the training,
10 getting things installed in a rural library is
11 difficult and daunting, but not impossible,
12 particularly with federal grant funds and sometimes
13 local fund-raising and such. The show stopper for
14 smaller rural libraries is all of the ongoing
15 communication costs.

16 And whereas I realize even a \$40 per
17 month line or \$60 per month line might not seem
18 like a great amount in most places, only 20 percent
19 of our library system in this state have a full,
20 complete budget of \$15,000 per year or less. And
21 in that kind of environment, it's awful hard to
22 justify two or three telephone lines at the current
23 rate.

24 With just that little brief kind of
25 introduction, I did want to bring your attention to

1 one particular issue that is arising again in the
2 state and actually within the country having to do
3 with why it is so important to ensure and maintain
4 electronic connections for libraries particularly
5 in rural areas.

6 As Lee just said, the
7 Telecommunications Act did open up possibilities
8 and wonderful opportunities that can make a
9 difference for rural citizens in particular.

10 Libraries are watching with a great
11 deal of interest and no small amount of anxiety the
12 joint board and our individual state UTCs, because
13 the decisions being made will have a dramatic
14 effect not only on the libraries, but on the
15 citizens they serve. Libraries, or at least
16 library leaders, I think I can say, recognize that
17 any kind of a discounted service or subsidy is a
18 very sensitive area, because obviously someone at
19 some point pays. Service, as we should note
20 ourselves, is not free. But through one mechanism
21 or another, I think we must find a way.

22 I know there are people who believe
23 that if one chooses to live in rural areas, then
24 one has chosen to forego some of the amenities of
25 cities. One cannot demand in a rural community

1 that there's an opera house and a symphony or
2 whatever, and that's fine. But in one crucial
3 area, this is not the case at all.

4 Particularly starting at the federal
5 government level, something is happening that's
6 both wonderful and frightening, and that is
7 digitization. And we have moved to electronic
8 access of government produced information. For
9 instance, the federal government's printing office
10 has been told by congress that at least 97% of
11 everything they, quote, publish, must be in
12 electronic format only, not in paper at all, by the
13 end of the century.

14 Now, if you think about everything the
15 federal government publishes, it will be available
16 only in electronic format by the end of the
17 century. Now, that obviously tells us there's a
18 lot of efficiencies to be made, and we applaud
19 that, information is more valuable and useful in
20 electronic format, but the concern we have is the
21 library being a major source of that information.

22 But with that wonderful glow of
23 electrons coming at us from Washington, we are not
24 only facing the incredible internal adaptation on
25 how to use that information, but then how do we get

1 that out to other libraries.

2 We have a depository program, as most
3 libraries do, and it right now sends copies of the
4 paper documents out to rural libraries and others
5 on request. But we may find ourselves in the
6 position of throwing a lot of balls out with no one
7 with a mitt to catch them, and that is a big
8 concern to us.

9 Washington state similarly is going
10 along that same path. I was either privileged or
11 not so privileged to be the co-chair of a public
12 information access policy task force. A bunch of
13 big words that mean we were looking at how to
14 recommend increasing electronic access of
15 government information to the population of
16 Washington. I say privileged or not so, because
17 the same policies we encountered, some of those
18 you'll encounter as well. In our case, we also had
19 personal practices to deal with.

20 A resulting bill, 2ESSB 6556, passed in
21 the '96 legislature, virtually mandates that all
22 state agencies will look at what they have, what
23 they publish, what they use, information on their
24 own, to figure out what things the public wants the
25 most and find a way within the current resources or

1 otherwise to make that available electronically to
2 the people of Washington. And not just the
3 information itself, but the transactions that
4 people have with their government.

5 As applaudable as that may be, there is
6 also an explicit expectation all the way through
7 the task force that local public libraries in every
8 community throughout the state would be the primary
9 source for citizens to get this access to this
10 information and where people could come and have
11 these electronic transactions.

12 It's important to remember that there
13 isn't really an accurate estimate of how many local
14 people, private folks, have computers or have
15 access to computers at home or at work. The best
16 estimate we can find is approximately 25 to 30% in
17 Washington, and that's fairly high for the country
18 believe it or not. And that's not a lot of
19 people. And where we find most of this is, of
20 course, in the larger urban areas, some of your
21 medium size communities, and some in rural areas.
22 But an awful lot of the folks in rural areas are
23 without access to computers.

24 So while the prospect of having such
25 rich, vital access to rich and vital, unique

1 sources of information is quite elating,
2 particularly in the Spokane Public Library or
3 Seattle's Public Library, perhaps even Ellensburg's
4 Public Library. The people that live in Kettle
5 Falls and Omak and Twisp and Forks are a little
6 concerned.

7 Because like I said, the money that is
8 needed to equip a library is relatively easy to
9 find, but the ongoing costs are difficult. And
10 this one aspect of government information, small as
11 it may sound, is not small. And it's not parallel
12 to the argument that one might have about moving to
13 a rural area and foregoing options by dint of
14 geographical choice.

15 In this case the government is taking
16 action to alter itself in two ways, alter itself in
17 the way the information is disseminated and perhaps
18 alter itself in the way you will be able to gain
19 this access. We are concerned that if -- if
20 decisions are not made that support this increased
21 information and this increased access, that we may
22 be doing our population a major disservice.

23 We've seen in various places and heard
24 about the issue of the marketplace taking care of
25 all this. And where in some areas I think that

1 might very well may be true, even with the widening
2 of the market including such entities as cable
3 companies and PUDs and such, many libraries have a
4 great concern that there certainly are no other
5 options that seem willing to come to their areas.
6 There are no options now that are there that are
7 potential.

8 . . . It's ironic, but the same isolation
9 that disperses a population and the same isolation
10 that doesn't make a market attractive now will
11 remain the same negative market draw for
12 alternative providers. That's not to say that some
13 of that is not happening.

14 The North Central Library covering five
15 counties in and around Wenatchee has had long
16 talks, very successful talks, with their local PUD,
17 who want to get into the, quote, telephone business
18 for the purpose of helping us provide that access.
19 And they're talking to the libraries.

20 In the city of Chelan, a local radio
21 station, the man who owns and runs it is quite a
22 technology -- I wouldn't say act. He's very
23 technology -- he's very interested in technology.

24 AUDIENCE MEMBER: Buff.

25 MS. ZUSSY: Technology buff, thank

1 you. And at a dinner where I happened to be
2 sitting at the same table with him a couple months
3 ago, we talked about his desire to bring a T1 line
4 into Chelan. I said, "That's great. Have you
5 talked with your local library?"

6 That didn't cross his mind. And by the
7 time he finished dinner, however, he thought that
8 was a wonderful idea. So if this gentleman
9 remembers that conversation, that might take care
10 of some areas in that particular place. But not
11 everyone is as generous as this gentleman.

12 It may very well mean that we'll have
13 it halfway where -- In the same way that the
14 interstate highway system bypassed some of our
15 smaller communities in the '60s and '70s, we may
16 end up with the same type of communities bypassed
17 by the wonderful super highway, communications
18 super highway.

19 I come not to just talk about gloom and
20 doom. There are some options that have been
21 discussed at the state and national level,
22 primarily the national level. Some don't involve
23 subsidies and discounts to a great extent. There's
24 been some discussion of the TLERIC (phonetic), and
25 I'm not going to try to say what that means, and

1 another that I think is taking its place that I
2 don't remember the acronym for, but they represent
3 the lowest cost charged to any customer.

4 There is some discussion about looking
5 at a cost such as that, or cost basis such as that,
6 and then aggregate the total cost for libraries on
7 a statewide basis and then levy charges to
8 individual libraries on a formula basis, factoring
9 in the ability of the individual systems to pay
10 statewide.

11 So that Kettle Falls with its, indulge
12 me a second, its annual income of \$13,346 might be
13 able to be charged a portion of the TLERIC, perhaps
14 Seattle might be able to take a larger percent or
15 something like that. Quite a concept, libraries
16 subsidizing libraries. If one of us or two of us
17 or a group of us are not included on the highway,
18 the super highway, then all of us hurt to an
19 extent.

20 The issues before you have lots of
21 answers. They may or may not be right answers or
22 there may be multiple right answers. What we urge
23 you to do is think about the value of information
24 to people and the few ways in some respects they
25 have to get it. The local public library serves an

1 immensely large and popular role in all this. And
2 we urge that any position that you take in this,
3 don't shut out the very smallest and the very
4 small.

5 Do you have any questions? I could
6 provide answers.

7 CHAIRMAN NELSON: Thank you. In
8 the beginning you indicated that you thought some
9 of the current business rates are too high. That
10 is for plain old telephone service?

11 MS. ZUSSY: Current prices are
12 often too high for very small libraries. As I say,
13 a \$40 a month bill for a larger library would not
14 be one, but one such as Kettle Falls, as I read to
15 you, it certainly would be.

16 So when you say too high, it's too high
17 to whom? It's all relative.

18 CHAIRMAN NELSON: But they do pay
19 business rates, is that right?

20 MS. ZUSSY: They normally do.

21 CHAIRMAN NELSON: You mentioned the
22 traditional resource sharing among libraries; that
23 is, libraries located in the same geographical
24 area. And then you ended up talking about perhaps
25 cross-subsidizing.

1 At the rural utility service hearing,
2 we heard about partnerships between urban and rural
3 libraries, I think a Seattle-Pomeroy partnership
4 was mentioned specifically. Do you see much of
5 that going on in our state? Is there a way to
6 encourage that through public --

7 MS. ZUSSY: There are some examples
8 of that... That was a rather unusual one, because
9 they're obviously on opposite sides of the state.
10 More oftentimes counties that are doing some
11 cooperating or doing cross-use of agreements,
12 entering into agreements that are mutually
13 advantageous. But as far as libraries across the
14 state, not so much in the way that Pomeroy and
15 Seattle have.

16 Where you do find a great deal of
17 cooperating is in sharing of resources. When
18 people come into libraries, we try to tell them, if
19 you don't find it on our shelves, we may be able to
20 find it. We do find things, libraries do, in
21 places as far away as Russia and the Vatican
22 library. So I mean, that's the kind of resource
23 sharing we use together.

24 MR. HEMSTAD: You referenced the
25 federal library services discussion. Do you have

1 an approximation of how much money comes into the
2 state for libraries currently?

3 MS. ZUSSY: Currently it's
4 somewhere in the neighborhood of two and a quarter
5 million dollars a year in the three different
6 titles that are, of course, dedicated to particular
7 uses. The resource sharing piece that I spoke of
8 is somewhere in the neighborhood of 380,000. Most
9 of it is in support of just basic public library
10 services, what's called Title 1.

11 MR. HEMSTAD: Oh, I see. So if I
12 think of operation costs, as far as for --

13 MS. ZUSSY: Very briefly, every
14 state submits a state plan. And if you asked me
15 what does a state plan look like, I'd have to give
16 you 50 answers, because every state looks at its
17 own needs, its own population, looks at the Act and
18 what the Act wants us to do. The Washington state
19 plan will look very different from Maryland or
20 Texas.

21 In our state, the Title 1 or public
22 library monies are for services that actually are
23 brought out from the state library building for
24 people throughout the state. A great deal of the
25 rest of it or most of the rest of it goes out in

1 competitive grants in which a library said that
2 they need to receive money. It's been a practice
3 in our state for many years.

4 MR. HEMSTAD: And you're starting
5 to have to come up more on technology?

6 MS. ZUSSY: Yes. It's part of the
7 career's act, so the emphasis is probably going to
8 be on the work place and the work force and such.
9 And there's apparently going to be annual business
10 on electronic connection, attaining connections,
11 purchasing the materials, equipment, and training
12 and such.

13 I don't see anywhere that it's going to
14 necessarily promote or permit ongoing operations by
15 the telecommunications process.

16 MR. HEMSTAD: So I suppose there
17 isn't interconnections between that and other --

18 MS. ZUSSY: There is a project that
19 the state library is going to be doing. We've been
20 trying to get all the local libraries connectable.
21 We are going to the legislation for a private
22 project of our own that will bring graphic
23 interface, quote, internet, whatever anyone wants
24 to call it, connection to every library building in
25 the state. That's not every system, but every

1 building of 123 actual buildings or branches. That
2 would include library work stations, training for
3 the people to actually use the equipment and to
4 train the public to use it, and the
5 telecommunications for the first two years. And
6 the legislature has already indicated they're not
7 willing to support a project that will come back
8 every two years with the telecommunications cost.

9 Some libraries have expressed a lot of
10 anguish that they'd love to participate, but they
11 don't want to get the computers for two years, have
12 the public get used to it, and then not be able to
13 afford it two years after that.

14 MR. GILLIS: When we were in
15 Bellevue, we heard from the Seattle Public Library
16 about the fairly impressive program they have in
17 place there. And one of the things I found
18 impressive was the level of assistance they've
19 given to their customers.

20 The federal Act has the potential to
21 give discounts to rural libraries and the costs of
22 receiving access. I would think another ongoing
23 expense would simply be the continuing education
24 for the librarians and helping the public to
25 utilize the technologies that's there.